



June 10, 2003

**Operator of SBA investment companies
ordered to pay \$826,153**

**Arnold Kilberg personally guaranteed a \$1,000,000
SBA loan to one of his companies**

A federal judge today ordered small business investor Arnold Kilberg to pay the United States \$826,153.77 to cover a default on a Small Business Administration (SBA) loan. Kilberg operated companies that channeled loans to small businesses on behalf of the SBA. One of the companies, Fairway Capital Corporation, defaulted on most of a \$1,000,000 SBA loan that Kilberg had personally guaranteed.

United States Attorney Margaret E. Curran announced a judgement that Senior U.S. District Court Judge Ronald R. Lagueux entered today after a hearing in U.S. District Court, Providence, on a civil complaint filed by the U.S. Attorney last June. The judgement covers the amount of the default – \$694,642 – plus interest.

Kilberg was president of Fairway Capital, which was licensed by the SBA to provide financial assistance to small businesses on its behalf. In 1996, the SBA made a \$1,040,408 loan to Fairway after Kilberg personally guaranteed the note. Fairway failed to fully repay the loan by the due date and the SBA initiated default proceedings in 1998. In March 2000, U.S. District Court Judge Mary M. Lisi appointed the SBA as Fairway's receiver and subsequently entered a judgment against Fairway in the amount of \$694,642.92, the amount still owed on the loan.

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The SBA then made a demand against Kilberg as the personal guarantor of the note. Kilberg failed to respond and the U.S. Attorney lodged a complaint last June. Kilberg then defaulted on the complaint because his attorney failed to answer it in time. Upholding the default prior to today's hearing, Judge Lagueux noted that, even if the attorney had filed an answer in a timely manner, Kilberg had clearly guaranteed the SBA loan to Fairway and had no defense to the complaint.

Post-judgement interest begins accruing tomorrow if Kilberg fails to satisfy the judgement today.

Another small business investment company that Kilberg operated, Moneta Capital Corporation, was also placed in receivership in March 2000; it was in default of nearly \$6.7 million that had been financed by the SBA.

The complaint is being prosecuted by Assistant U.S. Attorney Lisa Dinerman, the District's Affirmative Civil Enforcement (ACE) Attorney. Affirmative Civil Enforcement is a program dedicated to using civil remedies to recover financial penalties due the government. Allan E. Hanson, an SBA attorney and a Special Assistant U.S. Attorney, is also prosecuting the case.

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